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## AFRICA'S YOUTH EMPLOYMENT CHALLENGE: NEW PERSPECTIVES

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# Non-Farm Enterprises and the Rural Youth Employment Challenge in Ghana

Monica Lambon-Quayefio

**Abstract** Non-farm enterprises have generally been perceived as a silver bullet solution for rural unemployment. This article therefore provides some insights on their potential to resolve the youth unemployment challenge in rural Ghana. Non-farm enterprises in Ghana are heterogeneous in nature based on type of enterprise, range of activities and productivity. Evidence suggests that motivations for operating these enterprises are mixed. Some households operate them as a coping mechanism to deal with household or agricultural shocks, while others may also be operated as business entities with the potential to grow sustainably and offer employment to young people. In order to harness the full potential of non-farm enterprises to address the rural youth employment challenge, it is imperative for policymakers in Ghana to identify specific sub-sectors that lend themselves to growth and have the capacity to offer sustainable employment avenues, and to critically interrogate and examine the primary reason of their establishment.

**Keywords:** Ghana, coping, policy, non-farm enterprise, rural, unemployment.

## 1 Introduction

Despite impressive economic growth, Ghana, like many other African countries, is confronted with a significant youth under- and unemployment challenge. Although the Ghana Statistical Service report on labour force (GSS 2013) pegged the unemployment rate of Ghana at 5.2 per cent, the same document reveals that unemployment among the youth (15–35 years) is 32.2 per cent. Additionally, the report indicates that urban unemployment is higher (6.3 per cent) than the national average as well the rural unemployment rate (3.9 per cent). The majority of youth who are employed in urban areas are engaged mainly in wholesale and retail businesses, as well as very low productivity service areas. In rural areas, many youth who are engaged in low productivity agricultural activities seek the opportunity to migrate. Given the relatively low levels of education and skills of most rural youth, a large

body of literature has hinted that non-farm enterprises have the potential to create the much-needed employment opportunities in rural areas.

This article examines and critiques the efficacy of existing policies and programmes in Ghana that are meant to promote non-farm activities in rural areas. It draws on existing research literature and relevant policy documents to evaluate the extent to which non-farm enterprises can serve as a solution to the rural youth unemployment challenge. This is important because non-farm enterprises are being promoted for their perceived potential to absorb surplus labour in rural areas. This is particularly important as the capacity for agriculture (in its current state) to provide a sustainable source of livelihood is low, and prospects for unskilled workers in urban areas have dwindled. The logic, therefore, is that non-farm activities like agro-processing and services are the next best alternative for rural youth.

The argument I present is that merely expanding non-farm activities in rural areas may not resolve the rural unemployment problem because in large part these are operated as coping mechanisms rather than as businesses. Although some evidence suggests that achievement of asset accumulation and upward mobility from diversification through the operation of non-farm enterprises within the rural economy is possible, this article suggests that such a benefit is not likely for most rural households in Ghana whose goal of survival is a more probable outcome of diversification.

The next section provides a description of non-farm enterprise in Ghana, and in Section 3 the capacity of the non-farm sector to absorb surplus labour in the rural economy is evaluated. Section 4 explores the motivation for households' engagement in non-farm enterprises, and Section 5 reviews existing youth policies and programmes geared towards the promotion of non-farm enterprises. Section 6 concludes and provides a set of policy recommendations.

## **2 Characteristics of rural non-farm enterprise in Ghana**

In the income diversification literature, the terms non-farm, off-farm and non-agricultural activities are used interchangeably to refer to all income-generating activities aside from those gained directly from the farm. Nagler and Naudé (2014) use the term 'rural non-farm enterprises' to refer to small, informal household enterprises including agribusiness, trade and retail, tourism, rural industrialisation, construction and mining. Similarly, Haggblade, Hazell and Reardon (2010) describe non-farm activities to include mining, agro-processing, utilities, construction, commerce and financial services. Reardon (1997) points to a body of evidence that shows the common non-farm enterprises in most developing countries are mainly in commerce, manufacturing and services. The World Bank (2008) reports that 80–90 per cent of these enterprises rely exclusively on family labour. For the purposes of this article, I adopt the definition of rural non-farm enterprises provided by Nagler and Naudé (2014) which includes all

income-generating activities excluding income generated directly from traditional farming activities.

Data from the Ghana Living Standards Survey (GSS 2013) indicate that about 44.3 per cent of households in Ghana operate non-farm enterprises, of which more than half (50.4 per cent) are located in urban areas, with about 36.8 per cent found in rural areas. The survey report describes the main non-farm activities to include manufacturing, trading and other economic activities such as mining, construction and services such as education, hotels and restaurants. In terms of gender differences, about 70.6 per cent of non-farm enterprises are operated by women. The proportion of women operating these enterprises is slightly higher in urban areas (71.4 per cent) compared to rural areas (69.1 per cent). With respect to gender differences in non-farm activities in urban areas, a slightly higher proportion of females (69 per cent) than males (67 per cent) are engaged in trading activities. The reverse holds true in rural areas, where a marginally higher proportion of males (32.9 per cent) are engaged in trading activities than females (31 per cent).

With respect to people engaged in other economic activities, more males (53.5 per cent) compared to their female counterparts (35 per cent) are casual workers. For skilled workers who operate non-farm enterprises, about 51.7 per cent of females are in trading activities while 46.9 per cent of skilled males engaged in other economic activities. Contrary to expectations, relatively few skilled workers are engaged in manufacturing activities: 24.8 per cent and 24.3 per cent of skilled males and females, respectively, engaged in manufacturing activities are skilled workers. More unskilled females (45.5 per cent) than males (40.3 per cent) are involved in trading activities.

Household savings are the primary source of capital for the operation of non-farm enterprises in Ghana. According to GSS (2013), household savings constitute about 73 per cent of capital required for non-farm enterprises, followed by support from relatives or friends which make up about 14.6 per cent of funds needed. Borrowing from formal financial institutions constitute only 1.9 per cent. Other notable sources of capital for non-farm enterprises include funds from family farms (4.6 per cent) and informal money lenders (1.1 per cent). Some other minor sources of capital also include non-governmental organisations (NGOs) as well as religious organisations and cooperatives. Disaggregating source of capital by gender and activity, the data reveal that significantly more males engaged in manufacturing activities rely on household savings to finance their operations compared to females. A similar pattern is apparent for trading and other non-farm activities.

The data show that the annual average expenditure on inputs for households operating non-farm enterprise is very low at about GH¢110.40 (approximately US\$25.26). The highest average expenditure is incurred on raw materials and is about GH¢641.7 (US\$146.84), followed by purchase of articles for resale of GH¢387.8

(US\$86.68) and expenditure on fuel and lubricants, which is about GH¢316.8 (US\$72.49). The total revenue earned from all non-farm enterprises in the survey period was GH¢48,645.9 million (approximately US\$11,131.78 million), of which the highest contribution was from trading activities (GH¢31,134.3 million, US\$7,124.55 million), followed by revenue generated from other economic activities. Revenue received from manufacturing enterprises was the least at GH¢7,897.5 million (US\$1,807.21 million).

As suggested by Nagler and Naudé (2014), the majority of non-farm enterprises in Ghana are found in the informal sector, where women seem to be more engaged than men. These enterprises predominantly create employment avenues for family members, employing an average of five people. The sector is also characterised by relatively low skilled workers with a large percentage of casual workers, especially in manufacturing. Savings from households seem to be the main source of capital for its operations, especially in the manufacturing sector. As a result, these enterprises are less likely to have working relationships with financial institutions. This therefore reduces the possibility of good record-keeping of their business activities. The sub-sector that seems to generate much revenue is trading activities, despite the general perception that it creates relatively low employment opportunities compared to the manufacturing sector.

### **3 Coping strategy or a source of sustainable livelihood?**

Ample evidence from Assan and Beyene (2013), Bryceson (2004), Barrett, Reardon and Webb (2001), Ellis and Bahigwa (2003), and Hussein and Nelson (1998) suggests that income diversification is an important strategy adopted by rural households in Africa. The diversification options available to rural households include intensive cropping and/or marketing of non-conventional commodities and animal rearing (Aduse-Poku *et al.* 2003), commerce (Adi 2007), migration (Lay, M'Mukaria and Mahmoud 2007) and non-farm activities (Lay *et al.* 2007; Adi 2007). Others point to self-employment versus wage labour as another diversification option (Hussein and Nelson 1998; Ellis 2000; Barret *et al.* 2001).

Non-farm activities are clearly an important element of income diversification and employment generation. Empirical evidence from Haggblade *et al.* (2007, 2010) indicates that non-farm enterprises account for about 35 per cent of rural income in Africa. Fox and Sohnesen (2016) provide an optimistic projection of 38 per cent of new employment avenues between 2010 and 2020. However, while there is some consensus regarding the relative importance of non-farm enterprises in income diversification, there is debate about the incentives for participating in these activities and their ability to create employment avenues to absorb surplus labour from the agriculture sector.

The ongoing debate on rural livelihoods is inconclusive as to whether diversification into non-farm enterprises results in sustainable wealth

accumulation or is just a desperate strategy for survival within resource-poor societies (Assan and Beyene 2013). For example, Warren (2002) argues that diversification may be occasional, where the change in the household livelihood portfolio is temporary, or may be more strategic, reflecting a deliberate attempt to take advantage of changing opportunities and cope with unexpected constraints. Ellis (1998) identifies diversification to be an accumulation strategy which is likely to result in improvement in household incomes and assets. However, Whitehead and Kabeer (2001) and Dercon and Krishnan (1996) caution that accumulation through diversification may not be equally available to all rural households. De Janvry and Sadoulet (2001) report forms of accumulation in the rural non-farm service sector such as tourism and wage labour activities, conceding that the rural non-farm service sector has a better potential to enhance accumulation from diversification. These studies therefore suggest that the asset accumulation motive of non-farm enterprises is not uniform, but rather depends on other determining factors such as the initial wealth of the household as well as the specific enterprise operated by the household. Although Reardon (1997) agrees that diversification via non-farm enterprises offers a pathway out of poverty, he notes that available data are not clearly indicative of whether the strategy is about survival or purely an asset accumulation strategy which has the potential to offer the needed employment avenues for the rural labour force.

Some literature describes the diversification of rural incomes to be a coping mechanism, creating the opportunity to respond to a shock or contingency, and thereby spreading the risk associated with, for example, small-scale farming. Empirical evidence shows that in rural Africa, non-farm enterprise to a larger extent fulfils a risk management and survival function (Nagler and Naudé 2014; Rijkers and Costa 2012). In the same way, Whitehead and Kabeer (2001) and Ellis (2000) argue that as a result of previous experience with poor crop yields and food insecurity, households diversify in an attempt to spread the perceived risk of shocks on household consumption and other important household expenditure. Other push factors discussed in the literature may include: limited availability of agricultural land and environmental degradation. Neihof (2004) aptly describes diversification into non-farm activities as a stopgap or filler strategy which merely enables households to cope with economic gaps on a temporary basis. Similarly, Davies (1996) argues that a household's diversification into rural non-farm enterprises serves as insurance against indebtedness and borrowing, and boosts its ability to survive.

Specifically, evidence on Ghana from Ashong and Smith (2001) and Canagarajah, Newman and Bhattamishra (2001) suggests that rural households participate in non-farm enterprises mainly to escape food insecurity and poverty. Using data from a peri-urban area in Kumasi, Ashong and Smith (2001) note that during poor seasonal rains households may deplete their assets through sale of cattle in order to purchase food. However, relatively poorer households that are unable to

afford cattle are forced into non-farm sources of livelihood. Descriptions provided by the authors therefore hint that operating non-farm enterprises is the last resort for survival in most poor households. Assan (2014) also provides empirical evidence from southern Ghana which identifies diversification as a strategy for survival rather than asset accumulation as the predominant reason. However, the author makes an interesting observation with regard to households that operate non-farm enterprises. He observed that households operated more than one enterprise with the particular reason of ensuring income security. To achieve this, they engage in multiple enterprises with the ability to switch between enterprises should one fail. Using more robust empirical techniques and data from the northern part of Ghana, findings from Owusu, Abdulai and Abdul-Rahman (2011) indicate that non-farm work is a valuable source of income which helps in income smoothing, which is in turn useful for household consumption smoothing. Fox and Sohnesen (2016) disagree and suggest that these enterprises have existed for long periods and are therefore sustainable in the solutions they may proffer to the employment challenge. This argument may be problematic in the sense that enterprises may have existed for long durations but may still operate at the subsistence level, using low productivity technologies and largely dependent on family labour. Particularly for Ghana, despite the growth of the sector in the past few years, the characteristics described in the previous section give an indication of the low levels of investment by households as well as heavy reliance on family labour.

Diversification has also been viewed as a process which takes advantage of opportunities in the rural economy in order to maximise household income and other household goals. For example, Warren (2002) suggests that households may engage in non-farm activities to accumulate the resources needed to educate the younger generation and increase land holdings to assure prosperity and stability. Ellis (1998) supports the finding that diversification can lead to improved income and asset accumulation. Also, Whitehead and Kabeer (2001) and Dercon and Krishnan (1996) contend that non-farm activities may be a source of surplus income which can be invested in productivity-enhancing methods on farms, and other forms of capital or asset accumulation. Using data from Mozambique, Fox and Sohnesen (2016) argue that non-farm enterprises offer a particularly unique opportunity for upward mobility and consumption growth for households with relatively low education levels.

This review suggests that engagement in rural non-farm enterprises may be motivated by immediate need or may represent an active, forward-looking strategy. The dichotomy of survivalist versus strategic diversification may be of limited value. In most cases, households that diversify their incomes are able to enjoy greater flexibility and resilience compared to households that do not diversify (Warren 2002). In most cases, diversification is more dynamic than static, involving continuous rearrangement of the livelihood portfolios in response to changing



constraints and opportunities (Bigsten and Kayizzi-Mugerwa 1995). What starts off as a survivalist or a coping strategy may evolve into something more strategic, and vice versa.

Overall, although livelihood diversification strategies such as the operation of non-farm enterprises may eventually lead households out of poverty, the outcomes may not be unidirectional. Outcomes and effects may vary with geographical locations and type of activities engaged in. In essence, outcomes of diversification are not uniform with respect to derived benefits for households. Due to the diversity and dynamism within non-farm activities as well as across countries, it is imperative to have in-depth, sector-specific and country-specific analysis based on good quality panel data, before any conclusive generalisations may be put forward.

#### **4 Capacity of non-farm enterprises to address the youth employment challenge**

Hagblade *et al.* (2010), Rijkers and Costa (2012) and Fox and Sohnesen (2016) argue that non-farm enterprises play an important role in the rural economy, and its relative contribution to household employment and income continues to rise across the African continent. Estimates by Fox *et al.* (2013) suggest that these enterprises are expected to employ about 15 per cent of Africa's labour force; they are also expected to create millions of jobs in rural Africa over the next decade (Fox and Pimhidzai 2013; Fox and Sohnesen 2016). But what does the literature say about who is presently involved in the rural non-farm economy?

Evidence from Ackah (2013) and Dary and Kuunibe (2012) points to declining participation in non-farm enterprises as people grow older: younger people are more likely to take up opportunities in the non-farm sector than older people. This is in sharp contrast to findings from Nagler and Naudé (2014) who analysed World Bank data from Ethiopia, Malawi, Niger, Nigeria and Uganda and found that older cohorts were more likely to engage in non-farm activities, which might reflect the fact that many of those who are less than 25 years old are still attending school.

Using data from the Upper West region of Ghana, Dary and Kuunibe (2012) found that men were more likely to be employed in formal non-farm enterprises compared to women. This may be due to the relatively low levels of education among rural women. Aside from education, Gordon and Craig (2001) note that rural women's concentration in informal non-farm enterprises may reflect factors such as tradition, religion, childcare responsibilities and other social expectations.

In general, the levels of education and skills required for gainful employment in rural non-farm enterprises are not very high (Fox and Sohnesen 2016). Dary and Kuunibe (2012) provide evidence from Ghana that education increases the likelihood that people will engage in formal, rural non-farm enterprises. Also, de Janvry and Sadoulet (2001) show that even amongst educated people who participate in the

non-farm sector there is a significant association between level of literacy and type of enterprise: operators with more education tend to use more modern technology. Education may increase labour productivity in non-farm enterprises and in turn increase employment potential (Wennberg and Lindqvist 2010; Owoo and Naude 2014). Indeed, there is ample evidence of a correlation between education and return to non-farm employment. In Ghana, Jolliffe (2004) shows that the returns to education are higher in non-farm compared to on-farm activities.

Linking back to the discussion of survivalist and strategic diversification, it is important to note the observation by Nagler and Naudé (2014) that the motive for starting a non-farm enterprise may have implications for its productivity, and thus the potential to create employment.

Although the non-farm sector offers some potential to create jobs for the rural labour force, and particularly the youth, assessment of the rural investment climate reveals some significant challenges (Wang *et al.* 2006). Constraints include poor access to and high cost of credit, poor quality roads and infrastructure, as well as inadequate and unreliable supply of electricity, and weak governance structures in rural areas (World Bank 2008). Another constraint is low market demand. In most instances, about 70 per cent of non-farm outputs go to satisfy local demand – the rural non-farm sector can only thrive if the economy delivers inclusive growth. Resolving these challenges will improve the employment-generating capacity of rural non-farm enterprises, particularly towards the youth.

### **5 Youth policies and programmes in Ghana<sup>1</sup>**

Ghana, like many other African countries, faces a high youth population growth rate and a serious employment challenge. Despite this, Hoetu (2011) posits that with appropriate policies and interventions the unemployment challenge could be transformed into opportunities that could yield maximum benefit to the country at large. Due to the enormity and the complexity of the challenges that confront the youth, policymakers and government institutions that are responsible for youth programmes are at a loss as to how to proceed (Hoetu 2011). Policymakers therefore operate in an environment of despair and desperation in a bid to find solutions to these problems. This may often lead to a number of disjointed policies and programmes rather than more carefully planned and complementary policies. The following chronicles a number of youth policies that have turned out to be more duplicative than complementary.

The National Youth Authority, formerly known as the National Youth Council, was established in 1974 by an act of parliament to coordinate youth development activities. This authority was located in the then Ministry of Youth and Sports, but the ministry came under heavy criticism for focusing its attention and resources on sports to the detriment of youth development. The sense of neglect only deepened when responsibility for youth was split across various ministries, and programmes intended to benefit youth lacked coherence and

coordination. To address this situation, the National Youth Policy was formulated in 1999 and identified particular priority areas for action. However, this policy was never implemented, and in 2008 it was abandoned and replaced with a new National Youth Policy. Again, even though the 2008 version was backed by an implementation plan, the new government that took over in 2009 ignored the existing policy, opting instead to launch a new policy framework two years after taking office. The 2010 National Youth Policy for Ghana articulated new priority areas which included youth employment.

Prior to 2006, a nationwide survey by the National Development Planning Commission (NDPC) revealed the enormity of the youth employment challenge and made recommendations which culminated in the establishment of the National Youth Employment Programme (NYEP). The main objectives of this programme were to provide the youth with employability skills, offer work experience after mandatory national service, and provide employment opportunities through various modules such as the youth in agriculture module, the community health module and others. While well intentioned, this programme provided relatively few jobs, and then only for a period of two years, with a possible extension of one year.

Under the new government in 2012, the NYEP was rebranded as the Ghana Youth Employment and Entrepreneurial Agency (GYEEDA). According to the new government, this repositioning was necessary to address the youth employment challenge in a more systematic way. After a few years of operation, the GYEEDA was mired in scandal: due to the fact that there was no legislative instrument to regulate the activities of the programme, implementation challenges were rife. In 2015, GYEEDA metamorphosed into the Youth Employment Agency (YEA), and the age bracket shifted slightly to cover all young people between the ages of 18 and 35, including those with disabilities. Among all the modules created by the agency, only community health and youth in agriculture are relevant to rural youth. Although the youth in agriculture has not yet been clearly spelt out, the community health module is somewhat geared towards absorbing educated rural youth. These two modules are particularly relevant to the rural youth due to the relatively low skillset they require and the demand for these services within rural settings compared to urban settings. Data from GSS (2013) show that the literacy rate in urban areas is higher than in rural areas. Also, the report suggests that the youth in urban areas have higher educational attainment compared to their rural counterparts. As a result, the skillset of the urban youth is relatively higher than the skillset of the rural youth. Given that agricultural activities in the context of Ghana do not require highly skilled personnel, this module suits the current skillset of the rural youth and has the potential to absorb them.

In order to improve on health indicators through improved access to health care (especially in rural areas where indicators such as maternal, infant and child mortality are high) the government of

Ghana, in partnership with the Japanese government, introduced the Community-Based Health Planning and Services (CHPS) Compounds. As part of the policy, the Ghana Health Service and the Ministry of Health were responsible for posting health personnel to these communities. Uptake of posts in rural communities has over the years been very low due to the absence of critical social amenities and infrastructure required for the daily survival of the health workers. The community health assistant module is therefore very relevant in tapping into the relatively educated rural youth who can assist in providing the needed assistance to the few health professionals in the delivery of health care in rural areas. This is because these assistants hail from rural areas and are thus able to cope relatively easily. This, combined with the increasing demand for health professionals, creates a unique opportunity for the rural youth in respect of employment opportunities.

In contrast, other modules such as the youth in community service module, and the security services module, may not be relevant to the rural youth. This is because the services of such modules are needed more in urban congested areas where the youth in this module are deployed to ease traffic. Other modules such as youth in trade and vocation, and youth in entrepreneurship may seem to offer some opportunity for rural employment. However, their sustainability may be in question as the local rural demand to support these ventures in the long run may be very low due to the relatively low income levels of the rural population. Eventually, out of frustration, these ventures may be abandoned altogether as the same youth may resort to migration to urban areas as a livelihood strategy. Also, a major deficiency of the YEA is that it provides employment opportunities for a period of two years only, after which the beneficiaries are left on their own.

These efforts to address youth employment must be seen in the light of efforts to liberalise the Ghanaian economy under the Economic Recovery Programme (ERP). With the removal of subsidies, the ERP had important implications for the viability of the agricultural sector, and the privatisation of the mining sector resulted in a massive laying off of workers. During this period, there was an economic and social crisis in urban areas due to the inability of the rural economy to provide employment opportunities for the rural labour force. Those who were unable to move to urban areas resorted to other subsistence endeavours in order to survive.

In response, in 1995 the government, in partnership with the International Fund for Agricultural Development (IFAD), launched the Rural Enterprise Project (REP). With an initial limited coverage in only two districts, the goal of the first phase of the REP was to improve the lives of the rural poor through increased productivity, with particular focus on rural youth and women. In 2002, the project indicated its goal to increase coverage to 66 districts by 2011. The enterprises supported by this programme include rural non-farm activities such as soap-making, bead-making, textiles and clothing, artisanal services such as carpentry

and hairdressing, as well as value-addition agro-processing activities such as nut and oil processing, and juice processing among others. Due to its success, the programme attracted additional funding which led to a third phase, scheduled to run from 2013 to 2017, and intended to cover 161 out of the 171 rural districts. The goal of the third phase is to scale up the outcomes of the first two phases, with a particular objective of increasing the number of rural micro- and small-scale enterprises that generate profit, growth and employment opportunities.

The REP included four main components: business development services; technology promotion and dissemination; access to rural finance and institutional building; and programme coordination, monitoring and evaluation. The business development component aims to upgrade the technical and entrepreneurial skills of rural cottage, micro- and small-scale activities by providing access to business development services. The main objective of the technology promotion and dissemination component is to upgrade the technology used by rural micro- and small-scale enterprises. Under this component, the REP supports the rural technology facilities at the district level with the particular aim of strengthening the basic engineering and technology transfer capacity of the districts to improve product and service quality, as well as the productivity and competitiveness of the rural enterprises. Access to rural finance ensures that rural enterprises have access to finance, while the sub-component, which is institutional capacity building, ensures that they obtain the necessary support from institutions which have the potential to contribute to the creation of a conducive environment for the growth of rural enterprises.

The REP also supports other special initiatives to stimulate employment creation. For example, since its inauguration in 2009, the Graduate Apprenticeship Scheme has created about 12,000 new businesses. Another such initiative is the Northern Rural Growth Programme which began in 2009 and focuses on rural areas of the northern regions with the specific objective of working with the rural poor to develop income-generating activities to supplement subsistence farming. Ultimately, the programme aims to strengthen the linkages among actors in agricultural value chains. It makes use of District Value Chain Committees.

Government has taken other steps to use enterprise development as a tool for creating job opportunities for youth. The Youth Enterprise Support programme is a multi-sectoral initiative that aims to provide support to youth between the ages of 18 and 35 to transform creative ideas into business enterprises. This support was to take the form of interest-free loans to participating youth to be accompanied by mentorship. In addition, the initiative has a regular training component that is meant to upgrade the youth skillset so that their businesses remain competitive. Soon after its inauguration in 2014, a major shortcoming in the initiative was exposed – namely that the requirements excluded a large proportion of rural youth. The application process required

prospective beneficiaries to have a business plan and be able to effectively communicate in writing. This quickly created a sharp disconnect between educated urban youth and rural youth who might have good business ideas but not the skills to communicate them.

In response, more tailored sub-components were designed and implemented to support urban youth and rural youth. The rural entrepreneurship programme was piloted in the Upper East region with regular fora called business clinics to engage rural youth and to provide basic skills and training on how to combine local resources and knowledge about the market to create competitive business ventures. This sub-component is focused on rural value addition and other related ventures. A number of on-farm and off-farm activities are supported, including production of crops such as pepper, rice and cassava, as well as poultry and animal husbandry for the urban market. Other off-farm value-addition processing activities such as shea butter production, palm oil production, starch making, and fruit juice processing are supported.

As a public-private partnership which commenced in 2010, the Local Enterprises Skills Development Programme (LESDEP) is implemented by the Ministry of Local Government and Rural Development in partnership with the Ministry of Employment and Labour Relations. Its main objective is to alleviate youth poverty through employment creation, by providing youth with the necessary skills to be able to own, start and operate their own income-generating enterprises. The programme adopts a district-level service delivery approach, and has offices in 170 Metropolitan, Municipal and District Assemblies. Various skill development modules are offered based on a nationwide needs assessment of unemployed youth. Prospective beneficiaries are given training which lasts from three weeks to three months or more, depending on the module. After completion, they are given equipment for their chosen trade which they are expected to repay in instalments starting six to twelve months after commencing their business activities. Programme areas include crop farming, animal rearing and fish-farming, as well as value addition to the agricultural products through agro-processing.

In its relatively short lifespan, the LESDEP was reported to have achieved a success rate of about 85 per cent, creating a substantial number of new businesses across the country. Nevertheless, it became non-operational in its third year of operation due to reduced budgetary allocations, resulting in an inability to meet implementation targets. Second, the financial woes were deepened because the programme was unable to recover monies it had invested since 2011.

## **6 Conclusions and policy recommendations**

Non-farm enterprises have been appraised as the next best alternative to traditional agriculture as an employment generator in Africa, with the capacity to absorb a large number of rural youth. This perception has governments and development agencies investing in a cocktail of policies

and programmes in a bid to provide the necessary environment and support for non-farm enterprises to develop and thrive.

Based on a review of research and policy literature relating to the rural non-farm sector, and with a particular focus on Ghana, a number of conclusions can be drawn and policy recommendations suggested. First, rural non-farm enterprises in Ghana are characterised by a high degree of heterogeneity based on location, range of activities, education of owners and productivity. As such, any policy geared towards developing the potential of this sector should be more targeted rather than a general policy or programme which puts all non-farm enterprises in the same category. For instance, given that all non-farm enterprises do not enjoy the same level of sophistication in terms of technologies employed, blanket policies such as the provision of interest-free loans to enterprise owners made to cover all categories of agro-processing enterprises may not yield the required impact as some of these enterprises may require different kinds of assistance in order to grow in a sustainable manner. Also, given the large proportion of females in the industry, gender-specific policies may be apt. There is therefore the need to disaggregate non-farm enterprises based on specific characteristics – this will allow more targeted and effective policy.

Second, if they are to be seriously considered as the solution to rural unemployment, a better understanding of the motivation to establish non-farm enterprises will be absolutely critical. Empirical evidence available does not lead to a firm conclusion on the main motivation for operating non-farm enterprises. In some cases, the motive is purely survival and one of mitigation against shocks and other household risks, while in other instances households operate these ventures for capital and asset accumulation. It is therefore difficult to distinguish which households are likely to operate under a particular motive. This therefore creates the added challenge of accurately recognising which enterprises to target as vehicles for growth. In effect, any policymaking in this area warrants a careful and circumstantial analysis if effective policy outcomes are desired.

Third, youth policies and programmes in Ghana are diverse and often disjointed. A review of policies and interventions indicate a lack of continuity, consistency and depth. Youth policies and programmes have been reformulated with each change of government. The resulting politics around them mean that consistent long-term programming is impossible. Also, there is little coordination when it comes to formulating policies and programmes to create employment opportunities for youth. New programmes duplicate the efforts of existing ones. In order to solve the problem of youth unemployment, it must be recognised that this is a challenge that cuts across all sectors of the economy and as such, a sustainable solution requires much more effective coordination. Specifically, with respect to policies on non-farm enterprises, despite the perceived potential to absorb the rural youth there is a dearth of specific policies and programmes which targets the



rural youth based on their skillset. At best, some of the policies and programmes offer accidental benefits to the rural youth rather than providing benefits through carefully planned policies and programmes.

Lastly, the government of Ghana, and indeed all African governments, should make concerted efforts to address the major constraints faced by rural non-farm enterprises. Even though some progress has been made in recent times with regard to rural infrastructure, more needs to be done to speed up development of rural areas. In addition, given the potential that it offers to the rural labour force and the rural economy, it will be beneficial for policymakers to draft a comprehensive, evidence-based policy in relation to the non-farm sector. This should be based on high-quality data, spanning a long period of time, which will allow a more rigorous contextual analysis, and accounting for the diversity in the sector. Such a policy would provide a road map for the development of the sector in ways that create good job opportunities for rural young people.

### Note

- 1 Information for this section was obtained from the author's review of referenced and non-referenced material as well as interviews with officials from some of the youth agencies mentioned in this article.

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